



2024 Half Year Results

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2024 Half Year Results

Operator: *Welcome to Rubis 2024 Half-year results presentation. My name is Melissa and I will be your coordinator for today's event. Please note that this conference is being recorded and for the duration of the call your line will be on listen-only mode. However, you will have the opportunity to ask questions which will be addressed at the end of the presentation. You may submit questions via the webcast at any time. If you are connected via the audio presentation, you may press star one on your telephone keypad to register your question at any time. If you require assistance, please press star zero to be connected to an operator.*

I'll now hand the call over to Clemence Mignot, Head of Investor Relations. Please go ahead.

Clémence Mignot-Dupeyrot: Thank you, Operator.

Good evening everyone. Thanks for being here with us tonight. I'm here with Clarisse Gobin-Swiecznik, Managing Partner of Rubis and Marc Jacquot, CFO, who will be handling the presentation, and I will moderate the questions at the end.

Clarisse, the floor is yours.

Clarisse Gobin-Swiecznik: Good evening.

So on slide three, I don't know if you can see it from your computer. Yeah. So for those of you joining us today for the first time, I'm going to give a quick overview of the Group.

So, Rubis is a global group operating in the energy sector for more than 30 years. The Group is providing and distributing safe, reliable and sustainable energy, while handling, most of the time, the whole supply chain to B2C and B2B customers.

We operate in three different geographies: Africa, Caribbean and Europe. All the countries in which we operate benefit from our expertise in the supply chain, and we adapt our products and services to local needs and challenges. So, for example, in Europe, we offer LPG and renewable energy through solar farms. In Caribbean, we distribute LPG, fuel and soon solar energy to our customers.

We used to own, in a JV with an American infrastructure fund, a bulk liquid storage, which is in the process of being sold to that fund. The closing of this operation is subject to one remaining CP, which would be waived shortly, likely a closing in Q4 2024.

So let us dive directly into H1 2024 highlights.

So the first house was one of solid operating performance with an EBITDA stable on a comparable base, which is quite a performance considering that 2023 was particularly strong for the Group. Rubis Photosol secured portfolio passing a major threshold, reaching 1 GW, representing an increase of 55% year-on-year. The cash flow continues to stand at a high level, illustrating the strength of our operations. So all these elements make us quite confident we will reach our guidance for 2024.

So let's move on to slide six to go deeper in the operating highlights of each division.

On the energy distribution side. So volume increased by 4% on the three continents, so, Africa, Caribbean and Europe, and adjusted gross margin remains stable over the first half, with a unit margin remaining at €140/m³. Those results are explained by a strong performance of our operations in the Caribbean, both in our two activities, the Retail & Marketing activity and the Support & Services activity, which means globally that the last year momentum will continue. And Caribbean should continue to perform in the future well, and be a strong contributor to the Group's results in the future.

Regarding LPG distribution in Europe, we are holding up well, with volumes increasing by 3% and still gaining market shares in our different European markets. In Africa, the political and economic context remains difficult, with poor weather conditions and protests in Kenya in particular.

As regards renewable electricity, development continues as planned. The secured portfolio of solar projects reaches 1 GW in June 2024, meaning a 55% increase compared to June 2023, and the development portfolio continues to develop with a 23% increase since December 2023.

EBITDA is growing, but at a slower pace than anticipated due to three main factors. The first one is bad weather in France this year, which impacted electricity production. The second one is the spot prices decrease. As a reminder, end of 2022 CRE tariff benefited from a specific regime allowing sale of electricity at spots price for 18 months to compensate for the increase in interest rates and inflation. And the third one is development costs, which are needed to ensure future growth and weigh on EBITDA generation. We remain at the end very enthusiastic about the development of Rubis Photosol and look forward to explaining all the mechanisms behind at the Photosol Day in 10 days.

So on slide seven, I would like to come back to our investment criterion in each of our businesses, as it is a question we often get from the markets. So regarding the Energy Distribution division, our strategy is to catch opportunities, organic or growth to complement our existing businesses and locations in order to strengthen our competitive position. Considering the challenging we are facing in the energy sector towards the energy transition and the regulation, we focus on reasonable EBITDA multiples with short payback, 3-4 years, while assessing the inherent country risks and profile. The acquisitions in that business are half financed through debt.

Regarding the renewable energy business, our strategy is to develop ground-mounted solar power plants rapidly and extensively in France and in other European countries where solar development ambitions are high, and the legal framework is favourable and protective. Our financial criteria are the following. So we look at projects with 7-9% return, mostly financed with non-recourse debt at SPV level at least 80%. In France, it's more like 90%. And we secure income over long periods. So with this date, it's 20 years. And for the corporate PPA, it's between 10 years and 20 years.

So Photosol is also working to develop the small-scale, ground-mounted segment and storage. As was the idea when we acquired Photosol, the first synergies between Rubis Énergie, the Distribution division and the Renewable division, Photosol, are developing, particularly in France, the home and English Caribbean, with the deployment of joint offers for small power plants targeting our professional customers. In every investment decision we make, the

criterion of the return it will generate is scrupulously studied. Our aim, of course, is to maintain the Group's overall profitability.

Marc Jacquot: Thank you, Clarisse, and good evening to all.

Before we dig into further detail of Rubis's performance, let's have a quick focus on the non-recurring and exceptional elements to compare apples to apples.

So let's focus on those elements at the EBITDA level, starting with this story, which serves as a comparable basis. Let me remind you that H1 2023 included €36 million related to Nigeria FX pass-through and the refund from the state of Madagascar contained in 2023 and related to 2022. So those amounts artificially inflated our performance last year. For the compensation-related items, notably IFRS 2, impacted EBITDA by €6 million, which was the usual level.

Now, looking at H1 2024, IFRS 2 and other compensations-related items impacted our EBITDA by €15 million as our employee stock-ownership plan has been oversubscribed, and the share price increased significantly at the time of the capital increase.

Also, some other non-recurring elements notably related to AGM preparation, governance, assessment, Photosol Day, some M&A files should be taken into account as non-recurring. So all in all, if you want to isolate the pure operating performance of this H1 and compare it to H1 2023, you need to exclude those elements. The pure operating performance is slightly down by €3 million on a comparable base, which represents 1%.

So same principle at EBIT level where you have all the elements stated for EBITDA plus in H1 '24, a catch-up impact in D&A due to the reduction of the accounting life expectancy from 28 years to 25 years of two bitumen vessels due to more restrictive vetting policies. This catch-up effect represents an additional charge of €4 million in H1 2024. And also, as we mentioned, during our full-year release, at net income level, we have the first application of the OECD global minimum tax that has an impact estimated at €12 million over the first half of the year. So in this presentation, when we talk about figures on a comparable basis, we exclude the elements I have just mentioned.

Let's now have a look at the half-year highlights.

So a solid performance, with Group EBITDA on a comparable basis down 1% year-on-year. Both Retail & Marketing and Support & Services were down 1% versus H1 '23. Renewable electricity EBITDA was up 12% at €11 million, driven by the additional capacity in operation. Important to note that our foreign exchange losses were way behind last year, but still amounted to €35 million in H1 '24 to be compared to €55 million which are net of compensations in H1 '23, showing the continuing work on the balance sheet structure and local books that were conducted to reduce the losses.

So net income amounted to €130 million, which is -4% on a comparable basis and -24% versus reported numbers. Our balance sheet remains healthy with the leverage at 1.6x excluding Photosol's non-recourse debt and slightly increasing versus year-end due to the fact that actually we paid the dividend in June '24 while we are content only for six months of generation of free cash flow on the period. So an unusual increase of the leverage at midyear.

CAPEX decreased significantly at Rubis Énergie level at H1 2023 for the purchase of new vessels and investment in the renewable keeps up its pace. And finally, our cash generation remains at a high level, with operating cash flow at 6% compared to last year's same period. So after an excellent 2023, this relatively stable performance on a comparable basis illustrates the ability of our business model to deliver even in an environment that can be turbulent in some locations.

So let's look at our different businesses in more detail. At the EBIT level, you see on this slide, so Africa suffers some difficult operation conditions. Bitumen in terms of volume is still down in Nigeria, but other countries performs well, South Africa in particular. East Africa suffered from flooding in H1 and Kenya saw a wave of protest against finance law, leading to a lower level of fuel consumption, as Clarisse mentioned.

Aviation pickup continued, making us optimistic about the future of this business in the region. And FX in Kenya was unstable in Q1, more stable in Q2, impacting the value of our inventory and deteriorating our margins, as we mentioned during our Q1 release.

Looking at the Caribbean now, it continues to be the first contributor to the Group performance. The retail is booming in Jamaica. Aviation is growing in Barbados, with more flight rotations and a good tourist season. C&I is performing particularly well in Guyana, in Suriname, boosted by the mining and the oil industry. The political and security situation in Haiti in H1 was still very deteriorated. We can note that some international efforts, including UN-mandated security missions, are underway to restore order and support the Haitian police. The mission started in June 2024. We'll see certainly some effects in the future.

In Europe, flattish contribution, but still at a high level. No decrease in volumes. Autogas demand increased. Switzerland winter was warm and summer was cold. So it's double dip in a way because heating consumption was lower. And also, we benefited from less outdoor activity. So that's the impact here.

Support & Services was down €6 million over the period. H1 2023 was high due to the time lag effect in the crude deliveries to SARA. And bitumen trading was a bit lower, as demand in the US was not there in Q2.

Now let's have a look at the renewable electricity production. Revenue reached €24 million, slightly down versus H1 '23. The increase in production related to the assets in operation was offset by the opportunity of selling in 2023 at spot price, as explained by Clarisse, with also some bad weather condition and a notably lower load factor.

Just a word on the load factor. The model that Photosol is doing when they bid for tender includes an average load factor. And we see at some periods we can be below the average sometimes, and sometimes we can be above the average. So theoretically, you know, it will catch up at some point in the future. So here we are not really talking about a risk about production. We are more talking about volatility in the production.

And on the OPEX side, so the OPEX increased and was in line with new assets operated, but also due to development costs that have increased to support the future growth and therefore hampered EBITDA. We can note that H2 should be in the same range as H1 due to this impact.

Let's go on slide 12, on the financial results.

So I have already commented on the EBIT and EBITDA. Let's focus on the bottom of the P&L. The share of net income from associates included only one quarter in 2024, related to Rubis

Terminal, as we put this asset in assets held for sale, while the reference in 2023 included both Q1 and Q2.

The net financial charges have increased by €30 million, not including the IFRS 16 impact. Interest rates have increased across the board, and notably in Kenya, where the local currency debt rates almost doubled, reaching 18%. Also, some financing lines had been renewed in 2024 in H1. They'll be increasing the cost of debt. And also the Photosol cost of debt increased accordingly with the debt, which is consistent with the new assets in operations.

Let's have a look at the FX. The charges amounted to €32 million and are down 60% versus last year. So, as you know, at some subsidiary level, some countries do not offer any hedging instruments like in Kenya and Nigeria, for example. And so the policy we put in place to hedge the variations in Kenyan shilling and in naira is more efficient, and we continue improving it. The increase in tax rates that you observe is due to the implementation of the OECD global minimum tax with the related amount of €12 million in H1 '24.

Let's focus now on the net debt on slide 13.

The total net debt amounted to €1.5 billion, while the corporate debt amounted to €1.1 billion, with a healthy leverage of 1.6x corporate and 2.1x when you look at the total leverage excluding IFRS 16.

Note that following the USPP issuance in July at the Rubis Énergie level, the average maturity of the debt has been extended to five years.

And just to see the – to understand the evolution of the net debt, the variation in net debt is explained by the generation of operating cash flow for €352 million. After the fact that the LPG and fuel prices were quite stable over the period, it will have a limited impact on the working capital.

The CAPEX amounted to €103 million, which was much lower than last year, which integrated the acquisition of some vessels at Rubis Énergie. And the dividend payment in June '24 represented €211 million. Also note that our liquidity level is very comfortable because we have €133 million of undrawn RCF facility in addition to our €412 million of cash.

Clarisse?

Clarisse Gobin-Swiecznik: Okay. Thank you, Marc.

So to summarise the highlights of the first half of the year, so we can say that we had a very solid operating performance that proves that our diversified business model is very relevant, weighed by super strong performance in the Caribbean, despite a challenging context in Africa. Cash-flow generation stays at a high level, proving that our operations are healthy.

EBITDA is stable from a very high comparable basis in first-half 2023. Net income landed at -4% over the period, which is good considering the several headwinds we faced, and our debt remains well under control.

So as a conclusion, the first half of the year was not exactly consistent with the outlook provided during full-year results, but illustrated the relevance of our multi-country and multi-product strategy. For the rest of the year, the Caribbean continues to operate at a very high level of activity, and we do not expect any slowdown in 2024. The situation remains uncertain in Africa,

Kenya in particular, which suffered from the unexpected Kenyan shilling reevaluation and some operating challenges, as we talked before, due to weather conditions and inflation. The situation is settling down in Africa, but we continue to monitor changes in fixed rates very closely.

At Rubis Photosol, development will maintain a high pace, which will require spending that will have an effect on EBITDA generation in the short future. The capital gain from Rubis Terminal will be accounted for in full-year 2024 net income. All in all, we stay confident enough to confirm our 2024 guidance of an expected EBITDA between €725-775 million, a net income Group share stable and a dividend growth confirmed.

Thanks a lot for your attention. We are now ready to take your questions.

Questions and Answers

Operator: *Thank you. As a reminder for those connected via the webcast, you may submit your questions at any time. For those connected to the audio, you may press star one on your telephone keypad to register your question. To withdraw your question for any reason, you may press star two. You will be advised when to ask your question.*

Clémence Mignot-Dupeyrot: I have two questions from Alexandre Letz, the analyst covering our stock at Gilbert Dupont. The first one is: What explains the decrease of 8% in Europe despite increase in volume and gross margin? And the second question is: What explains the decrease of 30% in gross margin in Africa?

Marc Jacquot: So for the question about Europe. We are not talking about huge numbers. So as explained to you, we have some one-offs actually that impacted the EBITDA level in Europe, actually. So when you look at the margin, actually those one-offs are not integrated. But when you look at the EBITDA they are.

The other question, the gross margin in Africa. So the gross margin in Africa in H1 '24 reached €135 million versus €190 million in H1 '23. So this variation of €56 million is due to two effects. So the basic effect from 2023 that I explained, which included €25 million of extra margin in Nigeria and €11 million of refund by the Madagascar government related to the non-application of the pricing formula in 2022. So the total impact was €36 million. And so we added in H1 '23, and it did not occur again in 2024.

Clémence Mignot-Dupeyrot: Last question from Alexandre is: Is your net income guidance meaning stable versus 2023 on a comparable basis or on a published basis?

Marc Jacquot: So what we can say ... no, this guidance is on a published basis. However, keep in mind that we are expecting a capital gain from the sale of Rubis Terminal that will contribute to reach this guidance.

Clémence Mignot-Dupeyrot: One question from Jean-Luc Romain at CIC. How were the months of July and August compared to the second quarter in Africa in terms of volume and margin?

Marc Jacquot: What – you know, not easy to reply to this question, but what we can say is that we didn't observe in major changes in the activity in Africa. We, of course, to be noted that we didn't suffer from exchange rate negative effects during this period.

Clémence Mignot-Dupeyrot: One question from Nicolas Royot at BNP Paribas. Can we consider the 25% tax rate as a normative for full-year and beyond? Can you recall the 2023 figures you compared to for the net income Group chart? So that's the same question for the tax rate?

Marc Jacquot: Yeah. So for the tax rate, we can consider the same tax rate as last year, plus the impact of the global minimum tax impact, which is estimated for the year to range between €20-25 million.

Clémence Mignot-Dupeyrot: We then have several questions about the sale of Rubis Terminal and the timing expected for the closing and the payment of the dividend.

Clarisse Gobin-Swiecznik: So, as I told you before, we just have one CP that is remained to be lifted. So we don't really want to give an exact date, but we think that it will happen before the end of the year and probably closing in Q4 2024. And expectedly, a dividend just after. So normally before the end of the year.

Clémence Mignot-Dupeyrot: We have one more question about the – from Jean-Luc, saying this payable net income guidance of €355 million in 2024 and the €130 million published net income in H1 imply more than €220 million in H2. Is all of the increase versus H1 due to your expected Rubis Terminal capital gains?

Marc Jacquot: So yes, the sale of, as Clarisse explained, the sale of Rubis Terminal will contribute to the net income in H2 and is part of this guidance.

Clarisse Gobin-Swiecznik: And we also had quite some exceptional items in H1 that won't reproduce in H2.

Clémence Mignot-Dupeyrot: Another question about the dividend, about the expected base dividend per share and the growth rate. Does the usual growth rate include the special dividend for Rubis Terminal sale?

Marc Jacquot: No, the dividend related to the sale of Rubis Terminal is a kind of exceptional dividend. So when we talk about the distribution increasing and to be distributed in June 2025, we are not considering the dividend related to Rubis Terminal capital gains.

Clémence Mignot-Dupeyrot: Another question about buybacks. Do you plan to buyback shares, be it to compensate employee compensation plan?

Marc Jacquot: You know, buybacks can be to compensate capital increase, can be healthy. This is something that we could consider. Yes.

Clémence Mignot-Dupeyrot: I have no more written questions. Do you have any questions online?

Operator: *There are currently no audio questions.*

Clémence Mignot-Dupeyrot: Well, thank you all for joining us tonight. We will be happy to talk to you again in a few days at the Photosol Day, and we remain available if you have other questions in the meantime.

Clarisse Gobin-Swiecznik: Thank you.

Operator: *Thank you very much. That concludes today's conference. You may now disconnect.*

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